

Backgrounder

SOFTWOOD LUMBER

HISTORICAL BACKGROUND

For the past 40 years, the United States has consumed more softwood lumber than it has produced. Canada has been, and continues to be, an important and dependable supplier of quality lumber products. As a result of the U.S. need to import softwood lumber, Canada has had a relatively constant share of the U.S. market over the last 10 years.

Softwood lumber has been an area of trade friction for Canada and the United States for over a decade.

In 1982-83, the United States conducted its first countervailing duty (CVD) investigation of softwood lumber from Canada, and concluded that Canadian programs did not confer a countervailable subsidy to lumber producers.

In May 1986, the United States initiated its second CVD investigation of softwood lumber from Canada. The U.S. Department of Commerce (DOC) reversed itself in October 1986, making a preliminary determination that Canadian programs did confer a countervailable subsidy of 15 per cent on lumber producers. On December 30, 1986, to resolve a bitter and highly politicized trade dispute, Canada and the United States signed the Softwood Lumber Memorandum of Understanding (MOU), under which Canada imposed a temporary export tax of 15 per cent on certain softwood lumber entering the U.S. market from Canada. The agreement retained the export charge revenues in Canada rather than sending them to the United States in the form of countervailing duties. The U.S. lumber industry withdrew its CVD petition and the United States terminated the investigation.

The MOU provided for elimination or reduction of the export charge as a result of changes in provincial forest management regimes, particularly stumpage programs, and other forest management charges. As a result of subsequent amendments to the MOU:

- Atlantic Canada was exempted from payment of the export charge;
- the export charge was reduced to zero per cent for exports of British Columbia lumber; and
- the export charge was gradually reduced for exports of Quebec lumber, to a rate of 3.1 per cent by late 1991.